

SPECIAL EVENTS

To better serve you, the Arizona Department of Revenue now offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website go to www.aztaxes.gov.

This publication is for general information only. It is designed to assist taxpayers in complying with current laws and rules. In case of inconsistency or omission, the Arizona Revised Statutes and/or the Arizona Administrative Code will prevail over the language in this publication.

Transaction Privilege Tax (TPT)

Commonly referred to as "sales tax," transaction privilege tax is divided into different classifications. The most common classifications of taxable transactions for vendors at special events are: retail sales, restaurants, amusements and commercial leasing. The following is a brief description of the classifications to help determine the tax applied to your business.

Retail Sales

If you sell tangible personal property, including crafts (even if you consider it a hobby), you must be licensed and are responsible for transaction privilege tax under the retail classification. There are few exceptions to the tax on retail sales; however, the most common exemption for this tax is sale for resale (sometimes called wholesale). To make a valid sale for resale, you must record 1) the merchandise sold, 2) the buyer's name, address, 3) the buyer's transaction privilege tax license number and 4) a signed statement by the buyer stating the goods will be resold in the ordinary course of business. Note too, that the exemption for sales of food for home consumption does not apply if the event at which it is sold charges admission.

Sale For Resale (Wholesale)

When you sell an item to a customer who plans to rent or resell it in the normal course of business, you may not owe tax on that sale. You must have a clear and complete record of these sales or you will be taxed for them. Your records must separately show figures for retail sales and sales-for-resale. Sales-for-resale may be documented by using an exemption certificate prescribed by the department (see Transaction Privilege Tax Procedure *TPP 00-3*). You are not required to use the form recommended by the department, but you should have the following information for each sale-for-resale: the property sold, the buyer's name and address, the buyer's transaction privilege tax number and a signed statement by the buyer stating that the goods will be resold in the ordinary course of business.

Remember, without complete records, all your sales are subject to tax. If you are a wholesaler and make recurring sales-for-resale to the same customer, you may accept a certificate with the "Period" box checked and

the stated period specified "through" a definite date agreed to by both parties.

Transient Sales in Arizona

Vendors who sell in Arizona only once or twice a year may arrange to file for the months they conduct business in Arizona.

Sale of Artwork

The sale of art such as paintings, drawings, etchings, sculptures, craft work or other artwork is taxable. However, commissioned artwork that is made to the specifications of a particular customer (prior to creation of the art) is not taxable.

Restaurant (Food & Beverage)

Sales of food or beverages are taxable under the Restaurants and Bars classification. Businesses selling alcoholic beverages are advised to contact the department of Liquor License and Control at (602) 542-5141 for information on liquor licenses.

Amusements

The tax on amusements applies whenever an admission is charged for events or entertainment. Any charges or fees for activities such as games, rides, horse rides, balloon rides and any admission fees are subject to the tax under the amusement classification.

Commercial Leases

There is no state tax on commercial leases; however, some counties and cities do tax this activity. Space rentals to vendors at selling events may be taxable if the rental constitutes a lease of commercial property. This classification of the tax is imposed on the individual who owns the property and rents it to vendors at special events; therefore, tax may be added to the cost of the vendor's rental fee. Some rentals are not taxable because the transaction is merely a "license" granting permission to use of the space rather than an actual lease of the property. In addition, commercial leases for trade shows are exempt.

Applying For The TPT License

The Arizona Joint Tax Application is used to apply for transaction privilege tax, withholding, and unemployment insurance. Transient businesses are licensed using their home base as the business location. Businesses that operate at more than one location must be licensed for each location but can choose to obtain separate license numbers for each location or to report on a consolidated license. If a business moves to a new location, the Department of Revenue must be notified and a new license printed at a cost of \$12 per location. Please note that licenses are not transferable. If you sell your business or change the business organization (for example, from a sole owner to a partnership or corporation), a new license must be issued for a fee of \$12 per location.

SPECIAL EVENTS

Displaying the TPT License

Arizona law requires that your TPT license be displayed wherever you do business. Posting the license at all times avoids delays while conducting business when department representatives make compliance checks to verify that vendors are licensed.

TPT Reporting Requirements

All taxpayers are required to report transaction privilege taxes monthly unless specifically authorized or required to report less frequently. For information on quarterly and annual filing, contact the department. Please note: taxpayers are subject to penalties and interest for late reporting or payment of taxes.

Tax is due the 20th of the month following the month sales took place. Tax returns and payments are delinquent if not postmarked by the 25th of the month or if not received by the second to last business day of the month. The mailing address for tax remittance is

Arizona Department of Revenue
PO Box 29010

Phoenix AZ 85038-9010

Factoring Transaction Privilege Tax

When a business "factors" transaction privilege tax, it means the tax is included in the total price rather than shown as a separate charge. If you choose to factor the tax, the tax must be calculated using a factoring formula. There are many different factoring formulas depending on city taxes, county taxes or differences in allowable city tax deductions. See Arizona Transaction Privilege Tax Procedure *TPP-01* for information about factoring.

How to Calculate TPT

Although transaction privilege tax is usually passed on to the customer, it is actually a tax on the vendor for doing business in Arizona. The tax can be added to the sales price or factored into the sales price. Counties and cities impose different tax rates; therefore, refer to the tax rate tables. Remember that the total tax includes state, county and city tax rates.

Reporting TPT

Transaction privilege tax is reported on Form TPT-1 by county and city business classification using the appropriate abbreviations for county and city. Pertinent business class codes used on the state reporting form are: 017 for retail sales, 013 for commercial lease, 012 for amusements, and 011 for restaurants and bars. For a list of business codes, tax rates and county codes, refer to the *Arizona State, County and City Transaction Privilege and Other Tax Rate Tables*. Taxes for cities not collected by the Department of Revenue are remitted directly to the city. For additional assistance in completing the transaction privilege tax return, refer to General Instructions and the supplemental instructions on the back of the form.

Withholding Tax

If you hire employees, you must obtain an Employer Withholding Identification number from the Department of Revenue and file and withhold income taxes. Businesses that hire people, even if only for transient selling, seasonal events, or part-time, are considered employers and, therefore, must withhold.

Other Licenses

Many businesses will need a license for the city in which they are conducting business. Payment of city license fees for cities which the Department of Revenue collects transaction privilege tax provides for adding the city license to the state tax license. For a list of the cities and their license fees, see the Arizona Joint Tax Application. Note that many larger cities license and collect their tax independently. Vendors should contact these cities to obtain tax rate and license information. In addition to the TPT license, many cities require a business permit to conduct business. Contact the city for information about permits.

For additional information, call:

Phoenix (602) 255-2060
Toll-free from area codes 520 & 928 .. (800) 843-7196

For Hearing Impaired - TDD only:

Phoenix (602) 542-4021
Toll-free from area codes 520 & 928 .. (800) 397-0256

Or write to:

License and Registration
Arizona Department of Revenue
1600 W Monroe
Phoenix AZ 85007

Internet

www.revenue.state.az.us

This publication is available in an alternative format upon request.